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Relations have cooled since the coup, however, and although they remain ostensibly correct, the Chinese say no new aid projects are planned.

#### Political and Economic Problems

Daoud's preoccupation with the Pushtunistan issue and with his potential domestic rivals has left little time for dealing with the country's basic political and economic problems.

He took power with a promise to "establish a real and reasonable democracy" and may well be planning to promulgate a constitution later this year. If he should do so, the government would still be under his control and would be unlikely to provide the kind of democracy favored by many in the small, modern sector of the society. It would, in fact, probably guarantee no greater institutional stability than the 64-year-old President can provide personally.

At the time of the coup, Daoud also promised land and fiscal reform, greater industrialization, and an end to Afghanistan's "economic paralysis." By early November, however, the US Embassy was reporting that the economy was drifting toward complete stagnation. Commercial activity was at a standstill and the new regime was neither developing new economic plans nor acting on the programs and plans of the previous government. Moreover, an overvalued currency was damaging the export trade.

Since then, there has been some improvement, and commercial activity has picked up.

Daoud finally approved the establishment of an internationally supported industrial development bank and the acceptance of several foreign loans. In December, he established a High Economic Council, with a mandate to review the country's economic policies.

Whatever he does, Daoud will be unable to deliver all he has promised. The basic problem, of course, is that Afghanistan is a very poor country, with few known natural resources and an unskilled population. It can hardly expect the sort of prosperity its rulers have been promising for years.

#### Outlook

Most Afghans will probably be willing to be ruled by Daoud even if he is unable to effect the reforms he has promised and even if the country continues to be poor. The central government does not usually touch their lives directly, and so they do not give it either the credit or the blame for much that happens. They are probably as indifferent to Daoud as they were to Zahir.

The potential threat to Daoud comes rather from the small, better-educated, more-urbanized part of the society, particularly the officer corps and the leftists in the bureaucracy. In time, they may well take action if Daoud does not appear to be making progress in the economic field, or if his Pushtunistan policy again fails. For the time being, however, Daoud appears to be winning the struggle for dominance.

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